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Supreme Court of the United States

October Term, [redacted] 1969

No. 445

STANDARD INDUSTRIES, INC.,

Petitioner,

vs.

TIGRETT INDUSTRIES, INC., ET AL.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968.

No. ____

STANDARD INDUSTRIES, INC.,

Petitioner,

v.

[illegible] INDUSTRIES, INC., *et al.*,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Standard Industries, Inc., the petitioner herein, hereby petitions this Court for a writ of certiorari to the United States Court of Appeals for the Sixth Circuit. Petitioner contends that the determination of the United States Court of Appeals for the Sixth Circuit is not in accordance with the applicable law and furthermore is directly contrary to the determination of this Court in *Ford v. Milton* [illegible] U.S. [illegible] (1951). Petitioner contends that the determination of the United States Court of Appeals for the Sixth Circuit should be reversed, petitioner be paid royalties by the respondents from certain constructions, should be, in all respects reversed and the complaint dismissed.

Jurisdiction

This Court obtains jurisdiction of this application pursuant to 28 U. S. C. 1254 (1), which provides for review of any determination of a Court of Appeals by Writ of Certiorari.

Time

This application is made within ninety days of the date of the determination complained of herein as required by 28 U. S. C. 2101(c).

Opinions of the Courts Below

See appendix.

Reasons Why This Petition Should Be Granted

The determinations of both of the courts below were predicated upon the rule (which was in force prior to the determination of this Court in *Lear* v. *Adkins*, *supra*) to the effect that a licensee of a patent could not question the validity of the patent under which such party was licensed in the absence of fraud, patent misuse, or other inequitable conduct on the part of the licensor. This prior rule has now been changed by the determination of this Court in *Lear* v. *Adkins*, *supra*; which determination was made subsequent to the decision of the Court of Appeals in this case, and it is important for this Court to determine whether the *Lear* decision is to be given retroactive effect.

The determinations of the courts below were likewise in error because of a strained interpretation of the so-called "doctrine of equivalents." If such a determination were not reviewed by this Court, a licensee under a patent would not be entitled to rely upon the plain and specific

language of the claims in the patent. The determinations of the courts below were directly contrary to the prior decision of this Court in *Graham* v. *John Deere Co. of Kansas City*, 383 US 1 and therefore should be reversed by this Court.

In addition, the courts below have ignored clear contractual provisions in the underlying agreements involved which constitutes a violation of the "due process" clause of the Fifth Amendment of the Constitution of the United States.

The questions involved in this case should be reviewed by this Court because of the fact that the courts below have failed to follow controlling decisions of this Court and it is necessary for this Court to issue a determination to guide the lower courts in their future determinations of similar questions. This has always been held to be grounds for the issuance of a Writ of Certiorari. See, for example, *Pure Oil Company* v. *Suarez*, 384 U. S. 202.

The second question of great importance in this case involves the future interpretation to be placed by this Court upon the *Lear* decision. This Court should guide the lower courts to determine whether the *Lear* decision should be given retroactive effect. That is, does *Lear* apply to any action brought on a patent license that was commenced prior to this decision or does the *Lear* decision merely have *prospective* application.

This Court should also guide the lower courts in determining the scope to be applied with respect to the "doctrine of equivalents" where a patent license is involved. The petitioner argued, without success, in the lower courts that where a patent license refers to "covered products sales," the accused product must fall within the *four corners* of at least one claim of the licensed patent. Since the Court in *Lear* has abrogated *one* well-known

rule with respect to patent licenses, it seems to the petitioner that the Court also would be desirous of extending *Lear* to prevent a licensee from claiming royalties upon any structure which is not within the four corners of at least one claim of a licensed patent and may intend to overrule the prior rule that a determination as to whether or not an accused structure is subject to payment of royalties involves the same issues as an action for patent infringement.

It is also important for this Court to review the prior determinations in this case since the petitioner created a structure which was clearly *outside* of the terms of the claims of the licensed patent. If courts will be permitted by means of an alleged "doctrine of equivalents" to interpret patents beyond the specific provisions of the claims thereof, it will be impossible for a licensee to determine what constructions involved are subject to the payment of royalties. Such an interpretation is directly contrary to the prior determinations of this Court that a patent must be *strictly construed* and cannot be interpreted to cover material which is not within the four corners of the claims.

Hence the issues involved in this petition are of great public importance and of great public interest and falls squarely within the principles set forth in *Glus* v. *Brooklyn Eastern District Terminal*, 359 US 231 and *Kaiser Steel Corp.* v. *W. S. Ranch Co.*, 391 US 593.

The Factual Situation on This Appeal

There is no dispute with respect to the factual situation with respect to this appeal. The facts are substantially as follows:

On November 25, 1964 Tigrett Industries, Inc. and Standard Industries, Inc. entered into a written agreement involving the sale of the assets of Tigrett Industries, Inc. The pertinent provisions of the agreement read as follows:

1. SALE OF ASSETS. Seller does hereby agree to sell, assign, transfer, and deliver unto Buyer for the consideration as hereinafter provided all * * * patents, patent licenses * * *

6. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller does hereby represent and warrant as follows:

* * *

(c) That it will furnish good title to all the items being sold to Buyer, that it has a right to sell the same; that it will warrant the title to all the same to be free and clear of all encumbrances and liens of any kind; and that it will defend the title thereto against all claims whatsoever.

16. PATENTS. The following arrangement shall apply with respect to the Infant Division Patent Licenses:

* * *

(e) On Patent No. 2,790,978, issued May 7, 1957 expiring May 7, 1974, assigned to C. B. Whitlow, covering U-Bolt construction, Buyer is to receive an exclusive United States license for the full period of the patent on a 3% of covered product sale price basis, plus an additional 2% for such sale price.

After trial, the District Court held that royalties were due upon two devices made by the petitioner. These devices were a "Play-A-Round" (concededly falling within at least one of the claims of United States Letters Patent 2,790,978) and the "Golden Convertible" (which did not fall within the terms of any of the claims of United States Letters Patent 3,162,865).

The District Court, nevertheless, applying the "doctrine of equivalents," held that the "pair of spaced openings" recited in the claims was the "equivalent" of the single

opening utilized by the petitioner in the accused construction. Both the District Court and the Court of Appeals held that the petitioner could not attack the validity of the licensed patent.

POINT I

By reason of the change in the law which occurred after the determination of this Court in *Lear* v. *Adkins*, *supra*, the Court must consider the validity of the licensed patents and the failure of the Courts below to do so constitutes error.

Under the law which was in effect prior to the *Lear* determination, a licensee normally could not contest the validity of a patent under which he was licensed. A licensee could contest the validity of such a licensed patent if the licensor were guilty of inequitable conduct such as, for example, misuse of the patent, antitrust violations, etc.

This Court, in *Westinghouse Electric and Manufacturing Co.* v. *Formica Insulation Co.* 266 US 342 (1924), held that evidence of prior art could be introduced to *narrow* the scope of patent claims but could not attack the validity of the patent itself.

Thereafter, in *Scott Paper Co.* v. *Marcalus Manufacturing Co.* 326 US 249 (1945), the Court held that, if a licensee could show that the licensed patent was merely a *copy* of an expired patent, licensee estoppel could not be revoked. This, again, was not the situation in the present case.

In the present case the petitioner was not in a position to show inequitable conduct on the part of the licensor, and could not show that the alleged invention of the patent

in suit was an actual copy of an expired patent. Hence the court, on page 123 of the record, stated as follows:

> "The Court: So the Court will know where we are going—we understand the defendant concedes they cannot attack the validity of the patents. That being true, what would be the relevance of a prior patent that, perhaps, anticipated the patent in suit here?
>
> "Mr. Bader: Scope of claims, Your Honor."

Obviously, prior to *Lear* the petitioner was not in a position to show anything with respect to the *validity* of the underlying patent and the determination of both the District Court and the Court of Appeals did not consider the question of validity.

The nub of the determination of the *Lear* decision is set forth in 23 LE Lawyers' Edition 2d 610 (624) as follows:

> "Adkins' position would permit inventors to negotiate all important licenses during the lengthy period while their applications were still pending at the Patent Office, thereby disabling entirely all those who have the strongest incentive in showing that a patent is worthless. While the equities supporting Adkins' position are somewhat more appealing than those supporting the typical licensor, we cannot say that there is enough of a difference to justify such a substantial impairment of overriding federal policy."

It is thus obvious, in this case, that had petitioner been entitled to attack the validity of the patent involved herein, the situation and the eventual decision of the courts might have been considerably different. It is submitted that, since this Court has changed the rule with respect to the

right of a licensee to contest the validity of a patent under which he is licensed, the decision in the case at bar is not in accordance with the present law and therefore the determination of the lower courts should be reversed.

POINT II

The patent involving the "Golden Convertible" is clearly invalid as a matter of law.

The petitioner, in this appeal, is not questioning the validity of the patent on the "Play-A-Round" and therefore this patent will not be further discussed. Petitioner does seriously question, and has always questioned, the validity of the patent on the "Golden Convertible." The Patent Office allowed the claims in the case over the Adamson patent only because the drawstrings extend *above* the platform rather than being manipulated from *below* the platform. This trifling difference involves no "unexpected results" as required in prior decisions of this Court and therefore does not rise to the required "standard of invention." Had the petitioner been permitted, by the courts below, to attack the validity of this licensed patent, the patent would clearly have been held invalid and the petitioner not held liable for payment of future royalties. This Court should grant Certiorari and set the matter right.

POINT III

The Courts below erred in applying the "Doctrine of Equivalents" in this case since this doctrine cannot be used to bring a structure concededly outside the claims of the licensed patent within such claims. This Court has restricted the "Doctrine of Equivalents" in articles involving a very crowded art to such an extent that it practically has no application. Furthermore, the file history of the patent involved shows that the limitation relating to "a pair of spaced openings" was made because of a rejection by the Patent Office Examiner and the structure disclaimed can never be recaptured.

Prior decisions of this Court have restricted the utilization of the "Doctrine of Equivalents," especially where the improvement is in a very narrow and crowded art, to a point where the doctrine is practically nonexistent [*Graham* v. *John Deere Co. of Kansas City*, 383 U. S. 1 (1960)].

The patent, if it involves patentable improvement at all, relates to a minor improvement in a very crowded art. All claims in the case call for "a pair of spaced openings" and it is conceded that the petitioner, in the accused structure, utilizes only a single opening. Also, as shown by the file history of the patent, the limitation of "a pair of spaced openings" was inserted in order to avoid a rejection by the Patent Office examiner.

The original claims presented in this case covered a structure similar to that utilized in the "Golden Convertible". In the argument seeking an allowance of Claim 8 (where spaced openings were inserted for the first time in the claims), in response to a Patent Office rejection, the applicant argued as follows (98a-99a):

> "* * * Thus Claim 8 differs from the preceding claims and references of record in defining an ar-

> ticle of infant furniture comprising a top frame member, a base plate, a flexible netting having a general tubular form, a bottom frame member and with said flexible netting extending beneath the base plate *with drawstrings engaged at the lower end of said netting and extending through openings in the base plate.*" (Emphasis supplied.)

Claim 8 was then rejected on Adamson and the claim further amended to recite that the drawstrings were threaded through the openings in the baseplate for mutual engagement above the baseplate. The claim was then allowed by the Examiner after minor corrections to the application. The District Court, in applying the doctrine of equivalents, found a distinction between the structure of the patent and Adamson and therefore held that the doctrine of equivalents was applicable since whether a single drawstring was provided through a single opening or a pair of drawstrings were provided through spaced openings the structure would operate substantially the same way. The District Court, however, ignored the "File Wrapper Estoppel" in the case since the limitation of the "spaced openings" was inserted after the first rejection and was used to differentiate the structure of the patent from the prior art references. In such a case the allowed claims cannot be read to cover a structure which has been eliminated from a patent in response to a rejection. The principle involved is clear and few citations are necessary to illustrate it. One of the best expositions of the rule is *Nickerson* v. *Bearfoot Sale Co.*, 311 Fed. (2nd) 858 (876) 6 Cir. where this Court said:

> "* * * For the claims of a patent must be interpreted with respect to cancelled or rejected claims, and an allowed claim may not be read to cover what has been eliminated from the patent. * * *"

In the case at bar, since the single opening structure was eliminated from the patent in response to a rejection by the Examiner, the matter cannot be recaptured to charge the defendant with royalties on such eliminated structure.

POINT IV

The failure of the Courts below to find that the underlying written agreement was cancelled by its terms constitutes a violation of the constitutional rights of the petitioner.

Respondents' right to recover royalties, even aside from the written agreement, is based upon the original license. The agreement must be enforced according to its terms and the District Court denied respondents' application for reformation and this determination was not appealed so that it is final in this case.

If a court makes a new contract for parties other than what the parties intended, that court is obviously acting unconstitutionally and is depriving party of property without "due process of law" in violation of the Fifth Amendment to the Constitution of the United States.

The underlying agreement provided that it was to be automatically cancelled and terminated in the event that an assignment was made for the benefit of creditors. Concededly an assignment was, in fact, made for the benefit of creditors. In holding that the contract involved was not cancelled, the Court of Appeals held that the petitioner stepped into the shoes of the original *assignee* and therefore the cancellation clause which ran to the benefit of the assignor did not apply.

The contract sued upon herein was executed by both parties in New York and therefore, under well-established

conflict of law rules the law of New York applies to the agreement. *Eastside Flushing Gardens v. Bercaman*, 36 Fed. Supp. 706 (1941); *Dyal v. Hardaway*, 29 F.2d 264 (1962) and *Electrosonics International, Inc. v. Wurlitzer Co.*, 234 Fed. Supp. 913 (1964). A case most nearly in point in this controversy is *Mason v. Electrol, Inc.*, 282 N. Y. 482, 55 N. E. (2nd) 747 (1944) which case represents the law of New York in cancellation provisions of license agreements. In the *Mason* case a provision was inserted in a license agreement that it would be automatically cancelled and terminated if the licensee did not pay royalties as provided in the agreement. The licensee, desiring to cancel the agreement, failed to pay royalties and the licensor sued. New York Special Term (corresponding to the Federal District Court) held that the licensee was estopped from taking advantage of the provision for automatic cancellation because it was taking advantage of its own default. The Court of Appeals [the highest court of New York] reversed holding as follows (p. 487):

> "* * * We cannot go along with so valiant a construction. There is nothing obscure or abstruse in a stipulation that all rights of the respective parties, under an agreement shall be terminated for all purposes, after one of the parties to the contract shall have failed in performance for a stated period * * *."

It is noted that the situation in the *Mason* case presents far more equities in the plaintiff's favor than the situation in this case. Here the assignment for the benefit of creditors of Tigrett Industries, Inc. was performed by Tigrett Industries and the defendant had nothing to do with it.

The cases concerning automatic termination clauses of the type involved herein are uniform in holding that where a contract provides for automatic termination upon the

happening of a certain event the contract is terminated for all purposes. (*Brandeis v. Kable News Co.*, 262 App. Div. 504, 510[1]; *Nash v. L. Bucheit & Co.*, 192 N. Y. S. (2nd) 880 (1959); *N. L. R. B. v. Cone Mills Corp.*, 373 Fed. (2nd) 595, 4 Cir. (1967); *Realty Satuary Scaffold, Inc. v. Scaffold*, 4 Cal. Rptr. 543; *Rood v. Plover*, 188 N. E. (2nd) 241; and *Rucker v. Sentinel Carpet Co. v. Missouri Farmers, Inc.*, 349 S. W. (2nd) 13.)

Therefore, on April 26, 1965, the patent license agreement sued upon herein terminated by reason of the failure of title of the patent in the licensor and no obligation for royalties was thereafter incurred on the part of the defendant.

CONCLUSION

The Writ of Certiorari sought herein should be in all respects granted.

Respectfully submitted,

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APPENDIX TO WRIT OF CERTIORARI

Decision of the United States District Court for the Western District of Tennessee

In this memorandum decision we will collectively refer to defendant, Standard Industries, Inc., and its involved operating subsidiary, Jackson Furniture Co., as "defendant."

After these actions were set for trial on the original complaints, and the answers thereto, plaintiffs filed amended complaints in which they sought reformation of the contract that is the basis of these actions. Since the reformation of the contract as plaintiffs sought would mean that the issues to be tried would be substantially different from the issues that had been theretofore made, we first held a separate hearing on the reformation question, following which we, on November 21, 1966, entered a Memorandum Decision.

In that decision, we determined that plaintiffs were not entitled, as they sought, to have reformation of the contractual provisions governing the basis for the payment of royalties; but we did determine, with the consent of all parties, that the contract would be reformed to provide that *if* a 3% royalty was due from defendant, it was payable to plaintiff John Burton Tigrett, rather than to plaintiff Tigrett Industries, Inc. as had been provided in the contract. We further stated in that decision that, in denying reformation of the contract, we did not intend to foreclose a contention by plaintiffs that the contract is ambiguous and to foreclose the introduction of parol evidence as an aid in the construction of the contract.

The subsequent and final hearing of these actions then took place on April 5 and 6, 1967, the record of this hear-

ing was transcribed, and the parties have filed briefs directed to the issues before the Court in this final hearing.

At the outset of this final hearing, it was ruled, with the agreement of all parties, that in the event that the Court should determine that the contract was ambiguous and that parol evidence was therefore admissible, we could and would consider all such relevant evidence admitted at the prior hearing on the reformation issue. We further ruled that if plaintiffs sought to introduce additional parol evidence in support of their contentions as to the proper construction of the contract, we would conditionally admit all such relevant evidence, subject to a later ruling on the question of the ambiguity of the contract and admissibility of such parol evidence. Plaintiffs consequently did offer some additional parol evidence which was conditionally so admitted.

Plaintiff Mrs. Tigrett conceded (tr. 12-15) that the contract is not ambiguous as to the basis of his right to receive the 3% royalty set out in paragraphs 16(c) (d) and (e) of the contract and that under these provisions he would be entitled to receive such royalty only with respect to products covered by the claims of the patents named therein.

On the other hand, it is the contention of plaintiff Tigrett Industries, Inc. (and plaintiff Banks as assignees of its royalty rights) (tr. 12-15) that the contract is ambiguous as to the basis of its right to receive the 2% "over-ride" royalty set out in paragraphs 16(c) (d) and (e) and that the Court, upon consideration of the parol evidence, should construe the contract as to require the payment of such royalty on products not within the claims of these named patents. It is not, however, altogether

clear from the record and the post-trial briefs whether these plaintiffs contend that they are entitled to royalty (1) on all products using the U-bolt construction, or (2) on all play pens, or (3) on all products whatsoever, provided, perhaps, that the products are of the same kind as those manufactured by plaintiff Tigrett Industries, Inc. at the time of the sale of the business to defendant. However, since we conclude herein that, under a proper construction of the contract, plaintiff Tigrett Industries, Inc. (and the Banks), like plaintiff Mr. Tigrett, is entitled to royalty only on products within the claims of these patents, it is not necessary for us to determine on which additional products it is entitled to royalty. Moreover, while we think it highly doubtful that the contract is sufficiently ambiguous to allow the admission of parol evidence, since we would so construe the contract whether we consider the contract with or without the parol evidence, we will consider the parol evidence as admitted for this purpose.

At the outset, it should be said that paragraphs 16(c) (d) and (e) seem to be clear that both the 3% and the 2% "over-ride" royalties are to be paid only on products covered by the patents named therein. Plaintiffs seem to concede as much, because it is admitted that, as heretofore stated, these provisions are completely clear that plaintiff Mr. Tigrett is entitled to the 3% royalty only on such covered products, and of course these provisions establish the same basis for the 2% "over-ride" royalty as for the 3% royalty. But, say plaintiffs Tigrett Industries, Inc. and the Banks, an ambiguity as to the basis of their right to receive the 2% "over-ride" royalty is introduced by paragraph 17 of the contract. (With respect to this paragraph, it is agreed by all that the word "Buyer" in the fifth line should read "Seller.") Paragraph 17 provides

that if 5% of the net income before taxes of the new operating company (Jackson Furniture Co.) in a fiscal year exceeds the total of the 2% "over-ride" royalties due under paragraphs 16(c) (d) and (e), such excess shall be paid as additional royalty. This paragraph, they argue, is in conflict with paragraphs 16(c) (d) and (e) with respect to the basis of the 2% "over-ride" royalty and indicates an intention that such royalty be paid on products not covered by the patents named therein. Mr. Tigrett testified that this was the intention of the parties; defendant's witnesses testified to the contrary. We do not, however, see any conflict between these provisions; paragraph 17 simply guarantees that the amount paid as "over-ride" royalty will not be less than 5% of net income before taxes. Moreover, if plaintiff's reasoning here is correct, this would lead to the conclusion that the 2% "over-ride" royalty provided for in paragraphs 16(c) (d) and (e) would be applicable to all products manufactured during the five-year period without limitation—a position for which even the plaintiffs do not contend. Lastly, the assignment of the right to receive the "over-ride" royalty by Tigrett Industries, Inc. to the Banks (Ex. 35), executed April 26, 1965, as well as the letter of Mr. Tomlin, attorney for Mr. Tigrett, to defendant (Ex. 34), dated May 12, 1965, both make it abundantly clear that the 2% "over-ride" royalty provided for in paragraphs 16(c) (d) and (e) would be due only if the construction of the products utilized the named patents.

We therefore conclude that plaintiff Tigrett Industries, Inc. (and the Banks), like plaintiff Mr. Tigrett, are entitled to the 2% "over-ride" royalty to the extent, but only to the extent, that the products manufactured by defendant are covered by these named patents.

Decision of the United States District Court

Counsel for defendant have stipulated (tr. 17 *et seq.* and 152) and agreed (tr. 119) that they are advancing only two defenses to their obligation to pay these royalties:

1. That their products are not within the claims of the patents;

2. With respect to two of the patents (that named in 16(c), #2,790,978 (Ex. 8) and that named in 16(e), #3,162,865 (Ex. 10)), the underlying agreements (Exs. 7 and 9) between Mr. Tigrett and Tigrett Industries, Inc. provide that the agreements would be automatically cancelled upon an assignment for the benefit of creditors by Tigrett Industries, Inc.; that, after the execution on December 22, 1964 by Tigrett Industries, Inc. of the transfer of its patent rights to the defendant, Tigrett Industries, Inc. on April 26, 1965 made such an assignment to plaintiff Banks; that such assignment to the Banks cancelled the underlying agreement; and that therefore the licenses (assignments) to defendant have likewise been cancelled.

Counsel for plaintiffs (tr. 139 *et seq.*) withdrew their contention that defendant is using the patent named in paragraph 16(d), #2,990,190.

Counsel for defendant, in its initial post-trial brief, second page, withdrew its contention that its play pen known as "Play-A-Round" is not utilizing the patent named in paragraph 16(c), #2,790,978.

With these stipulations and concessions, we therefore have only two issues:

1. Whether the licenses (assignments) to defendant of the patents named in paragraphs 16(c) and (e), #2,790,978 and #3,162,865, respectively, have been cancelled by a cancellation of the underlying agreements.

2. Whether the defendant's play pen known as "Golden Convertible" utilizes the patent named in paragraph 16(e), #3,162,865 (Ex. 10).

With respect to the cancellation issue, defendant in its briefs merely restates its position without any real argument and with no authorities. We think that, without citing authorities, it can easily be demonstrated that there is nothing to defendant's cancellation position.

In the first place, in the licenses (assignments) (Exs. 16 and 19) executed on December 22, 1964 by Tigrett Industries, Inc. in favor of defendant, both of which were approved by plaintiff Mr. Tigrett, all rights were transferred to defendant and defendant assumed all obligations to Mr. Tigrett; it therefore was contemplated by all concerned that defendant would step into the shoes of Tigrett Industries, Inc. for all purposes and consequently the later assignment for the benefit of creditors by Tigrett Industries, Inc. would not result in a cancellation. Secondly, Mr. Tigrett executed, as chief officer of Tigrett Industries, Inc., the assignment for the benefit of creditors to the Banks (Ex. 35), and yet he has contended and is now contending that defendant owes him royalty pursuant to the assignments of these patent rights to it; certainly Mr. Tigrett, for whose benefit the cancellation clause was placed in the underlying agreements, has waived any right he may have had to rely on a cancellation of the underlying agreements by virtue of this assignment to the Banks for the benefit of creditors. He is, in fact, in this litigation disavowing any such cancellation. Thirdly, the position of defendant in this litigation is inconsistent with its contention that the licenses (assignments) to it have been cancelled; defendant has throughout agreed that it is still a licensee and has conceded that as a licensee it could not attack the validity of the involved patents.

We therefore conclude that the licenses (assignments) to defendant of these patent rights have not been cancelled because of a cancellation of the underlying agreements.

This brings us to the last of the issues, which is whether the structure of the "Golden Convertible" play pen manufactured by defendant is within the claims of patent #3,162,865, referred to in paragraph 16(e) of the contract.

It appears that defendant has produced two models of this play pen; these two models are for present purposes the same, except that one of them (Ex. 3) has a rectangular bottom frame member which is indented centrally of its lateral components while the other one (Ex. 51) does not have such indentations.

The patent upon which plaintiffs rely has only two claims, the second being dependent on the first. Since the features of the structure of its play pens upon which defendant relies to avoid payment of royalties both involve only the language in Claim 1, it follows that if its play pens infringe Claim 1, they would also infringe Claim 2. (We use the word "infringe" in spite of the fact that defendant is a licensee; we do this because both sides agree that the issue here is essentially the same as it would be if this were actually an infringement suit.)

In the presentation of the proof, defendant seemed to be laying the predicate for a contention that it does not make in its briefs. Claim 1 calls for ". . . a bottom frame member in planar parallel relation to said top frame member . . ." We had supposed that defendant would contend that the two frame members in one of its models are not "in planar parallel relation" because of the indentations in the lower frame member but, as stated, defendant does not so argue in its briefs. In any event, from the proof we are satisfied the two frame members

are "in planar parallel relation" despite the two indentations in the bottom frame. This is supported by the expert testimony and by the common sense proposition that if the planes of two frames are parallel, they are "in planar parallel relation."

The other and main contention of defendant on the patent aspect of this case involves the following language in Claim 1:

> ". . . drawstrings engaged to the lower end edge of said netting beneath said base plate, said base plate having a pair of spaced openings, said drawstrings being threaded upwardly through said openings in said base plate and being mutually fixedly engaged above said base plate for providing a grip for convenient manipulation for said netting to elevate said base plate by upward pulling on said grip . . ."

It will be noted the quoted language calls for "a pair of spaced openings" in the base plate through which the drawstrings are threaded upwardly. On the other hand, both of defendant's models have only one hole in the base plate through which the drawstrings are threaded upwardly, and thus, argues defendant, its play pens do not infringe Claim 1.

We are satisfied from the proof, however, as plaintiffs contend, that the doctrine of equivalents is applicable here because the two structures work in substantially the same way and with the same result. *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 339 U. S. 605 (1950); *Great Lakes Equipment Co.* v. *Fluid Systems, Inc.*, 217 F. 2d 613 (6th Cir. 1954). Moreover, where, as here, a licensee attempts to avoid royalties by endeavoring to make a non-infringing structure, the claims of the patent should be given as

liberal an interpretation as can be justified. *Freeman v. Altrater*, 66 F. 2d 506 (8th Cir. 1933).

Defendant, in the presentation of its proof, seemed also to be relying heavily on the doctrine of file wrapper estoppel with respect to the issue now under discussion, but argues this only by a brief reference to the doctrine in its second brief. In any event, we are satisfied that there is nothing in the history of the prosecution of this patent vis-a-vis particularly the Adamson patent that prevents plaintiffs from contending here that the single opening in defendant's base plate is the equivalent of the two spaced openings called for by Claim 1 of this patent. The two spaced openings as such had nothing to do with the final approval of this patent.

In view of our ruling that the accused structure is the equivalent of the two spaced openings of Claim 1 and that the doctrine of file wrapper estoppel is not applicable here, it is not necessary for us to rule on plaintiffs' contention that the failure of defendant to give notice under 35 U. S. C. §282 of its reliance on the Adamson patent (or any patent) prevents defendant from relying on such patent or patents.

It appears that one of the attorneys for defendant and his father obtained a patent on a play pen shortly before this hearing, which patent apparently was issued on the theory that it embodies some improvement over the patent on which plaintiffs rely. However, defendant correctly concedes in its briefs that the subsequent issuance of that patent constitutes no defense to it if, as we have already determined, its structure is covered by the claims of the licensed patent.

We therefore conclude that plaintiffs are entitled to recover royalties not heretofore paid in the amount estab-

listed by paragraphs 8(e) and (g) of the contract on all "Play-A-Round" and "Golden Convertible" play posts sold by defendant, together with interest thereon from the date on which, under the contract, such royalties should have been paid.

Plaintiffs also seek attorneys fees on the theory that defendant has been guilty of bad faith. We agree that it does appear that defendant has unfairly sought to avoid payment of royalties justly due under the contract (see, for example, Ex. 5 to deposition of Jacob Michael, president of defendant). We would also agree that defendant at the inception of this litigation obstructed the discovery procedures. Moreover, defendant's cancellation argument was obviously without merit. On the other hand, plaintiffs, in an effort to recover larger royalties, have advanced a completely untenable claim to reformation of the contract and have advanced an almost equally untenable claim with respect to the construction of the contract. Both sides finally made important concessions and stipulations that should have been made earlier. We do not, therefore, believe it would be equitable to allow plaintiffs any attorneys fees.

If the parties cannot agree as to the dollar amount due to plaintiffs under this decision, we will entertain a motion for the appointment of a master to determine this amount.

The costs to this point as to each case will be assessed one-third against plaintiffs and two-thirds against defendant.

Entered this 27th day of December, 1967.

Stanley Brotman

Judge

Decision of the United States Circuit Court of Appeals for the Sixth Circuit

Nos. 18700-701

Nos. 18702-703

UNITED STATES COURT OF APPEALS

FOR THE SIXTH CIRCUIT

TIGRETT INDUSTRIES, INC., etc.,

Plaintiffs-Appellees

v.

STANDARD INDUSTRIES, INC.,

Defendant-Appellant

JOHN BURTON TIGRETT,

Plaintiff-Appellee

v.

STANDARD INDUSTRIES, INC.,

Defendant-Appellant

Appeals from the United States District Court for the Western District of Tennessee.

Decided May 27, 1969.

Before: EDWARDS and CELEBREZZE, Circuit Judges, and GORDON,* District Judge.

*Honorable James L. Gordon, United States District Judge for the Western District of Kentucky, sitting by designation.

Decision of the United States Circuit Court of Appeals

Per Curiam. Appellant, Standard Industries, Inc., appeals from judgments entered in the United States District Court for the Western District of Tennessee in favor of Plaintiffs, Tigrett Industries, Inc., and John Burton Tigrett for licensees under patents.

In this case John Burton Tigrett contracted with a company which he controlled, Tigrett Industries, Inc., to allow it to use his patents. The contract provided for "automatic cancellation" in the event of bankruptcy of Tigrett Industries, or in the event of assignment for the benefit of creditors by that company. Later Tigrett Industries, with Tigrett personally participating, sold its assets, including the patent rights here involved, to Standard Industries, and Standard Industries by that contract undertook to assume all of Tigrett Industries' former responsibilities.

Still later Tigrett Industries made an assignment for benefit of creditors, and Standard, refusing to pay the patent license fees, claimed advantage of the automatic cancellation clause in the original contract between Tigrett and Tigrett Industries.

The two issues decided by the District Judge and presented by this appeal were stated as follows in the District Judge's Memorandum Decision:

> "1. Whether the licenses (assignments) to defendant of the patents named in paragraphs 16(c) and (d), #2,720,078 and #3,162,865, respectively, have been cancelled by a cancellation of the underlying agreements.
>
> "2. Whether the defendant's play pen known as 'Golden Convertible" utilizes the patent named in paragraph 16(c), #3,162,865 (Ex. 40)."

Decision of the United States Circuit Court of Appeals

As to the first issue the District Judge held that Standard Industries stepped into Tigrett Industries' shoes, and that the cancellation clause ran only to the benefit of John Burson Tigrett, individually. We agree.

Nor do we find any clear error in the District Judge's factual holding that a certain "Golden Convertible" baby bed which Standard Industries was manufacturing was being manufactured under the patent license under the doctrine of equivalents. The fact that the play pen floor was adjusted up or down by strings running through the floor through one hole rather than two holes did not appear to him to represent a substantial difference. Neither does it to us. *Graver Mfg. Co. v. Linde Co.*, 339 U. S. 605 (1950).

We have reviewed the District Judge's Memorandum Decision and we approve the findings of fact and conclusions of law contained therein.

Affirmed.

Filed May 27, 1969
Carl W. Reuss, Clerk